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# THE DEVELOPMENT OF TRADE UNIONS AND THE LABOUR MARKET

By Isao AKAOKA\*

## Introduction

Among the many labour economists in this country there used to be a common understanding that the type of company union (this term is here used to mean an organization confined to the workers a particular company or plant) which has been common practice in this country lagged far behind the times, or was inferior, to the European or American type of industrial union, and that for that reason the former type of labour union should be modernized to be the latter type of union. But the situation being far from this, as a result of comparative studies of industrial relations in Europe and the U. S. A. and in Japan, it was brought to our attention that the type of company union and wage bargaining on a one-company-basis are by no means specific or old fashioned phenomena peculiar to this country.

And it has been found that this view is in line with the tendency of the view of the labour economists in England and the U. S. A. In England, D. J. Robertson<sup>1)</sup> and H. A. Turner<sup>2)</sup> insist on the importance of workshop organization and company-wide bargaining. In the U. S. A., S. H. Slichter<sup>3)</sup> makes a high appreciation of pattern bargaining, because this is the single-employer bargaining.

Now, at this point, because the company union and the company-wide bargaining which used to be branded as being of the old-fashioned type happen to be proved to be of a modern type, we must look again to find out in what sense they are called modern. I don't think that there is any justification in reasoning which says that a company union is of the modern type only because it organizes the workers of monopolistic enterprise operating on a mass production scale (a modern company). It is necessary to understand the reasons why the company union or the industrial union comes to be formed.

Therefore, it is intended to consider the development of the different types of labour unions in this paper. Now, to begin with I shall sum-

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1) D. J. Robertson, *Factory Wage Structure and National Agreements*, 1960.

2) H. A. Turner, *Trade Union Structure and Policy*, 1962.

3) S. H. Slichter, "American and Foreign Industrial Relations", *The Commercial and Financial Chronicle*, February 17, 1955.

marize some views that used to be held about labour unions and point out some important points involved therein. The problems of importance taken up so far may be summarized in brief as follows: that is, firstly, in existing theories, a labour market is presupposed, and secondly there is the idea that the worker, generally speaking, is primarily an exclusionist and it is thought that this exclusivism exercises no small influence in determining the structure of a labour union. Next, reviewing the history of the development of labour unions, I shall make a critical study of the two above mentioned specific points. Then I intend to make it clear that the labour market is formed, and is made to change owing to a certain opposing relationship between capital and labour, and the exclusivism-consciousness is generated as a result of anti-union countermeasures carried out by the employers. The possibility of mutual cooperation between capital and labour and of personnel management within one company is to be created by the segmentation of the labour market on a company basis, and exclusivism is to be thus created in the minds of the workers in one company against the workers in another company. Therefore it is essential to make the origin of such exclusivism clear.

### **I Various Views on the Development of Labour Unions**

J. R. Commons<sup>4)</sup> thought that it was the products market that prescribed the formation and development of a labour union. That is, the expansion of a products market tends to cut down wages and lower the working conditions through the aggravation of competition among capitalists. Therefore, workers come to unite together and the development of such an organization is to be prescribed by the expansion of the products market. For example, as the products market grows from a local-scale one to a national scale one, so a labour union also grows from a local union into a national union.

On the contrary, G. E. Barnett<sup>5)</sup> and L. Ulman<sup>6)</sup> rather put emphasis on the labour market as the important factor. In short, according to their view a national union comes into existence as the result of a national scale labour market. Ulman criticized Commons' view, taking the Printers' Union as an example, on the grounds that in this industry, a national union was formed in spite of the fact that its products market did not

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4) J. R. Commons, "American Shoemakers, 1648-1895", *Quarterly Journal of Economics*, Vol. XXIV, Nov. 1909.

5) J. H. Hollander & G. E. Barnett (eds.), *Studies in American Trade Unions*, 1905.

6) L. Ulman, *The Rise of the National Trade Union*, 1955.

grow to a national scale market. In the meanwhile, R. F. Hoxie<sup>7)</sup> has the opinion that the labour market determines the structure of a labour union under business unionism. In other words, when the labour market operates within the extent of one craft, a craft union is formed, and when the substitution of skilled workers with unskilled workers comes to be possible, then a labour union, in which these two types of workers are included, comes into existence. Shojiro Ujihara<sup>8)</sup> and Kazuo Koike<sup>9)</sup> attempt to explain a contributing cause of the formation of company unions in this country from the fact that the labour market in this country is a company wide market. And Ujihara further gives the explanation that the reason why such a company-wide labour market is formed in this country is because the industrial techniques used by each enterprise remain old-fashioned operations. Contrary to this idea, asserting that the reinforcement of company wide labour organization is not necessarily a specifically peculiar phenomenon only found in this country, and concluding that the technical inevitability of mass production at a monopolized stage comes to create specific jobs according to each enterprise, Kazuo Koike maintains the view that the company-wide labour market comes to be formed rather as a modern requirement.

Nevertheless, it has been found that not only an industrial union or a national union, but also a company union or a local union in reality all co-exist in one and the same industry<sup>10)</sup>. Now, under such circumstances we can see that all of the above mentioned varieties of views come to be confronted with a great difficulty in the face of the manifold forms of labour unions which are actually in existence. In order to overcome this difficulty, Koike attempted to think of the labour market itself according to the facts and when there were any differences in wage rates or the coverage of the union between large enterprises and small enterprises, or between full time workers and temporary workers in large enterprises, then he thought that these groups were in the different labour market. And as a proof of his idea he points out the differences in the contents of actual jobs to be carried out. Hoxie also evaded this difficulty in seeking for an explanation from a psychological viewpoint<sup>11)</sup>.

Contrary to all of these views, J. T. Dunlop<sup>12)</sup> supports the view of pluralism, holding that it is possible to explain the varied types of

7) R. F. Hoxie, *Trade Unionism in the United States*, 1923.

8) Shojiro Ujihara, The Characteristics of a Large-Scaled Factory, in *Studies of Labour Problems in Japan*, 1961, particularly pp. 366-368.

9) Kazuo Koike, *Wage Bargaining in Japan*, 1962.

10) L. Troy, "Local Independent Unions and the American Labor Movement", *Industrial and Labor Relations Review*, Vol. 14, No. 3, April 1961.

11) R. F. Hoxie, *op. cit.*, esp. Chap. III.

development of labour unions on the basis of the varied types of combination of four factors such as technique, market, institutions and psychology. Another type of view is the one held by Takeshi Kurita<sup>13)</sup>, who tries to solve the problem, which is impossible to solve only through the labour market factor, by supplementing it with a psychological factor. For example, since he thinks it is impossible to understand the recent growth of workshop organizations in England by the factor of the labour market, he is led to explain such a development from the exclusivism-consciousness inherent in the workers' minds.

Taking a step further, the non-economic factor is stressed and a non-economic explanation is brought in. In this way, according to H. A. Turner<sup>14)</sup>, the development of a union is to be understood mainly from such factors as the conflict between different groups of workers, sectional interests, tradition, and the imitation of the organizing policy of other unions. The workers tend to protect their own interests by forming a strong group of a closed nature (closed union). But when a group of this type comes to conflict with the interests of another group, they open their organization to include the other group in their own organization. But in such a case it is not that the sectionalism of each group ceases to exist, but again a closed sub-group is formed in the thus expanded large organization of open nature. In the course of this process, tradition and the imitation of other unions exerts no small influence on the development of this union. If one more example is quoted here, according to A. M. Ross<sup>15)</sup> the change in a bargaining unit is explained by the non-economic factors.

Now, if among the above-mentioned views the two particular ideas held by Commons and Ulman are compared with each other, the difference between the two is not so great. The reason is because it is understandable that by the products market in Commons' theory is meant the competition of workers in the form of products, i. e. potential labour market. For example, it is considered that a labour union including workers of more than two localities is formed by a factor such as the competition or conflict given rise to between the workers manufacturing shoes in one particular locality and those in a different locality (or the same, as in the case of the printers<sup>16)</sup>). This means, in other words, the existence of the substitutability of workers in one locality with those

12) J. T. Dunlop, The Development of Labor Organization, in R. A. Lester and J. Shister (eds.), *Insights into Labor Issues*, 1949.

13) Takeshi Kurita, *History of Trade Unions in England*, 1963; and "Field and Problems of Trade Union", *Nippon Rodo-Kyokai Zasshi*, No. 100, July 1967.

14) H. A. Turner, *op. cit.*

15) A. M. Ross, *Trade Union Wage Policy*, 1948.

in another locality in the form of their products. Therefore, it seems to me that Ulman's criticism of Common's view has not so much meaning.

Now, turning to another aspect to maintain that the labour market is a factor in prescribing the structure of a labour union, it seems to me that what this aspect can mean is no more than the mere linking of the structure of a certain labour union with a certain labour market. For example, according to this view it is maintained that a local union is the outcome of a local labour market, a company union the outcome of a company-wide labour market, and a national union the outcome of a national labour market. But in this view it is regarded that the labour market in this sense is to be formed objectively and neutrally in a particular type. In other words, a labour market is regarded as, so to speak, an exogenous variable according to this opinion, and this way of thinking has nothing to do with the formation of a labour market. In other words, the labour market is taken for granted as nothing more than "given" variable according to this idea. The view held by Ujihara and Koike explains the labour market from technique. But under such circumstances it is also taken for granted that the technique exists independently, and for that reason the labour market is interpreted as no more than given variable. But it must be noted that an industrial union and a company union both co-exist in one industry. Under such circumstances, isn't it questionable to think, as Koike does, that the technical inevitability of mass production at a stage of monopolization tends to produce a company-wide labour market<sup>17)</sup>. Under some circumstances a company union may be found to come into existence despite the fact of the substitutability of labour among many enterprises<sup>18)</sup>. Again, it is not rare in truth to find that in many cases a closed union for skilled workers only may be found to come into existence despite the fact that the substitutability of the skilled with the unskilled is actually being practiced. Therefore, it does not suffice to link a craft union with the labour market which is limited only to skilled workers or to link an industrial union with the labour market which includes both skilled and unskilled labour, or to link a company union with the labour market

16) J. R. Commons and Associates, *History of Labor in the United States*, Vol. I, 1966, p. 112.

17) Mr. Ujihara's view, in which the causative factor of a company wide labour market is sought from the old-fashioned technique of this country, was confronted with a difficulty when labour unions in reality were to be taken into consideration. For that reason, Mr. Koike sought after the causative factor of the company wide labour market from the technical necessity arising from the mass production at the stage of monopolization.

18) L. Troy, *op. cit.*, pp. 331-332, 339, 341 & 344.

formed according to each individual enterprise. In other words, a theory of the formation and changes of the labour market must be built. And it is also wrong to think that the varied types of labour market are automatically determined by technical inevitability, partly because the extent of any labour market is not primarily determined only by technique, and furthermore partly because the technique being used by a particular enterprise can't develop itself neutrally.

Kurita kept away from forming such an idea to think of technique as the determining factor. But again it must be noted here, similarly to the previous case, that a certain labour market is presupposed when he sets to analyze the labour union and the theory of labour market formation is not made clear. But as far as the labour market is interpreted as an exogenous variable, any attempt to explain the development of labour union is confronted with difficulty. To take an illustration, even under circumstances where the respective markets for skilled workers and unskilled workers are unified in one market, a craft union may be in existence in some cases, and even under circumstances where a type of labour market is formed on a national scale, a company union may be in existence in other cases. It is impossible to explain the development of the labour union through the labour market factor as far as the labour market is regarded as an exogenous variable. Kurita introduces exclusivism in addition to the labour market factor. Primarily speaking, the trade union is of an exclusive nature, and this idea leads to explain a situation like the illustration given above on the grounds of exclusivism. Yet in such a way of thinking the problem of "Why is it that this exclusivism comes to be formed?" is not sufficiently explained. In this connection, J. T. Dunlop attempted to explain the various developments of labour unions by taking up factors other than the labour market and attempted an explanation through varied combinations of four factors.

Points common to all those views illustrated above are observed to lie in the very fact that they treat the development of a labour union on the assumption that the labour market is an exogenous variable. However, in reality the labour market undergoes changes owing to the opposing relationships between capital and labour. Such being the reality, it must be pointed out that it is impossible to make a reasonable apprehension of labour union development on the assumption of a given labour market. Since the labour market is not liable to change independently or naturally, there is no comprehension of labour union development in such a way of reasoning, in which a certain labour market is taken for granted to begin with, and to consider labour union development under that labour market: when any change takes place in the



labour market, this newly developed labour market is taken for granted as a datum, and the problem involved there is considered under that market. All that can be made understandable in such a way of reasoning is no more than the corresponding relationship between the labour market and the labour union structure. I think that it is necessary to give a logical explanation of the formation and changes of the labour market for a complete comprehension of labour union development. For this reason, it follows that it is natural that all the views so far introduced above are not sufficiently plausible to make us understand labour union development. In trying to keep out of this difficulty, J. T. Dunlop formed his pluralistic conception by introducing certain other factors, taking it for granted that the labour market is an exogenous variable; Kurita supplemented this idea with his concept of exclusivism-consciousness; and R. F. Hoxie sought for an explanation from the psychological factor inherent in a worker's mind. But in any event the logical problem of solving the question of the formation of the various types of labour market has never been taken into consideration.

Both Turner and Ross gave up the way of explanation based on economic factors which arrived at this difficulty, and placed the labour market outside their theoretical framework. In short, they attempted to find an explanation of labour union development only on the basis of social and political factors. Their theories explain the facts very well. But in Turner's theory, the reason why a conflict is generated between groups of workers is because the different groups of workers are placed under one unified labour market. For example, the reason why a union of spinners permits piecers to become members of it is because of the unified labour market for these two different kinds of workers. In other words, Turner has an idea on which changes taking place in the labour market are implicated. That is, I think, the reason why such an explanation could be made more reasonable. It is also the same with the theory of Ross; his idea doesn't provide sufficient grounds for maintaining that the reason why the union officials *compare* the amount of wage increase of its own union members with that of other union members, or try to prevent any difference in the increment of wages among different unions by *consolidation* the *bargaining units* of more than two different unions lies in the political considerations of the union officials. It is comprehensible that the reason why such considerations are essential for the union officials is the existence of the pressure from the rank and file who regard the differences in wages as inequity, and that such pressure can only spring from a unified labour market. In this way I think that Ross is grasping the changes in the labour market through

his concept of "comparison" and "consolidation" as political factors<sup>19)</sup>. The high plausibility of this idea is, I think, ascribable to the grasping in his concepts of the changes in the labour market. However, neither Turner and nor Ross arrived at their understanding the changes of the labour market which their concepts implied implicitly. For this reason their theories were mere interpretations.

Now, in the next section I shall look at the history of a labour union and, by doing so, I shall attempt to consider the changes in the labour market. As an example of substantiation I shall take up the American steel industry.

## II Changes in the Labour Market and the Development of Trade Union

In the American iron and steel industry, a local union, the Sons of Vulcan was organized in 1858 to effectively oppose the demand for a certain cutting down of wages by their employers, and this organization grew into a national union, the United Sons of Vulcan in 1862. Because the puddlers in those days who were highly specialized or skilled workers, could form a labour market quite independently of the unskilled workers<sup>20)</sup>, this closed union of puddlers only could have been very strong. In February 1865 this union acquired a national agreement and succeeded in fixing the piece rates. Shortly afterwards they struggled for an increase in wages and concluded an agreement wherein a sliding scale was established<sup>21)</sup>.

But as this puddlers' union kept growing stronger and stronger, maintaining a stronger and stronger controlling power over their wages, the employers in turn made every effort to weaken or destroy the independence of the labour market of the puddlers, in order to cope with this new situation. One of these efforts was a measure that was carried out through the products market, and the employers managed to maintain the operation of their factories during the period of the strike by buying wrought iron. But this policy on the part of the employers made it inevitable for the puddlers to amalgamate varied kinds of trades, and in 1876 four unions joined together to establish the Amalgamated Association of Iron and Steel Workers<sup>22)</sup>. This union attained success to

19) Isao Akaoka, "Pattern Bargaining and Industrial Unions", *Keizai Ronso*, Vol. 102, No. 2, August 1968, p. 39.

20) Commons and Associates, *op. cit.*, Vol. II, p. 80; and Kazuyoshi Koshiro, The Labour Problems under Monopoly, in Shinzaburo Koshimura (ed.), *Latest Studies on Monopoly* 1966, pp. 252-253.

21) Commons and Associates, *op. cit.*, Vol. II, p. 80. About the sliding scale, see J. S. Robinson, *The Amalgamated Association of Iron, Steel and Tin Workers*, 1920.

a certain extent until 1892. In 1883 this union went on a strike against the demand of 1/3 wage reduction of the steel rail manufacturers, and this union won the majority of their demands. The membership of this union kept growing greater in number, from 3,755 in 1877 to 24,068 in 1891<sup>22)</sup>.

However, on the other hand, as this union kept growing more and more influential in bargaining power, the employers began to create the substitutability of skilled workers with unskilled workers. Manual skill was driven out as a result of mechanization, and the old kinds of trade were broken up into a number of smaller and simpler jobs. As a result, only with the help of a book of instructions and a short period of training, most unskilled workers could perform the most of such work that could had been done by highly skilled workers only<sup>24)</sup>. In this way the steel and iron industry came to be composed of a handful of skilled workers and a far greater number of unskilled labourers<sup>25)</sup>. The skilled workers in those days were no longer the all-round craftsmen they used to be, and they were nothing but workers listed in a higher position on the job-ladder and the substitution of skilled workers with unskilled workers was possible. In other words, the employers had accomplished *the consolidation of the labour market*. The employers had made the boundary of the labour market greater than the organization of the Amalgamated Association of Iron, Steel, and Tin Workers. As a result, this union was made to organize only a small part of the whole labour market. Consequently, it became impossible for this union to go on an effective strike because the union was deprived of its monopolistic power. For this reason the union could not avoid a series of unsuccesses in the following strikes; the Great Homestead strike at the Carnegie Company in 1892<sup>26)</sup>, the strike to claim the recognition of the union when the U. S. Steel Corporation was to be established in 1901<sup>27)</sup>, and the strike against the open-shop movement and against the wage

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22) Those which were amalgamated are the following four unions : United Sons of Vulcan ; Associated Brotherhood of Iron and Steel Heaters, Rollers and Roughers ; Iron Steel Roll Hand's Union and United Nailers. In 1890's it came to be called as the "Amalgamated Association of Iron, Steel and Tin Workers". J. S. Robinson, *op. cit.*, pp. 9-10, 18.

23) *Ibid.*, pp. 19-21.

24) *Ibid.*, pp. 252-256 ; R. F. Hoxie, *op. cit.*, pp. 96-97, 243, 244, 246 ; R. A. Lester, *Labor and Industrial Relations*, 1951, pp. 185-186 ; Commons and Associates, *op. cit.*, Vol. IV, p. 98.

25) In those days in 1900, the iron and steel industry was composed mostly of unskilled workers. It was reported that in the U. S. Steel Corporation there were as many as 148,000 unskilled workers in those days. See S. Forner, *History of the Labor Movement in the United States*, Vol. 3, 1964, p. 78.

26) P. Taft, *Organized Labor in American History*, 1964, pp. 139-145.

cutting notification of the American Sheet and Tin Plate Co.<sup>28)</sup>

During those days, most of the leaders of this unions began to feel the necessity of expanding the coverage of their organization so as to cover the whole the labour market which had been consolidated by the employers. In 1898 the A. F. L. spoke that one of the most urgent problems was to organize not only skilled workers but also unskilled workers as well<sup>29)</sup>. In addition, the leaders of the Amalgamated Association of Iron, Steel, & Tin Workers kept making efforts to organize unskilled labourers after their defeat in 1901<sup>30)</sup>. But the employers opposed the efforts of the union. In the first place, the employers refused to open negotiations with unskilled labourers and when an agreement was to be concluded with the A. A. I. S. T. W. it was done on condition that the union would not bring up this problem<sup>31)</sup>. Under such circumstances it was felt that the task of organizing unskilled labourers was a heavy burden for the skilled workers. The skilled workers objected to organizing the unskilled workers. In the second place, the employers took advantage of race discrimination. For example, Anglo-Saxon workers were scarcely found among the unskilled workers of the U. S. Steel Corporation. The greater number of the unskilled labourers were of foreign nationality, and 1/3 of them were unable to speak English, while on the other hand there were many Anglo-Saxons among the skilled workers and the greater part of them were American born<sup>32)</sup>. For that reason it became a hard task to maintain cooperation and coordination between the skilled workers and the unskilled workers. On account of the above-mentioned policy adopted by the employers the skilled workers began to have false perception that it would be a handicap for them if the unskilled workers were allowed to become members of their union, or that the skilled and the unskilled were quite different workers. Thus, the skilled felt objections against organizing the unskilled. Under such circumstances the efforts made by the A. A. I. S. T. W. in 1911 turned out to be of no avail. So, many labour economists think that this union had to remain an exclusive organization of skilled workers because of the intentions of the skilled workers. It was after experiencing a bitter defeat later again that the skilled did away with the above-mentioned illusion

27) L. L. Lowin, *The American Federation of Labor*, 1933, p. 63 ; P. S. Forner, *op. cit.*, pp. 78, 81 ; P. Taft, *op. cit.*, p. 194.

28) Commons and Associates, *op. cit.*, Vol. IV, pp. 138-143.

29) L. L. Lowin, *op. cit.*, p. 71.

30) *Ibid.*, p. 180.

31) *Ibid.*, p. 180.

32) J. A. Fitch, "The United Steel Corporation and Labor", *Annals of the American Academy of Political and Social Science*, Vol. XLII, July 1912; and cf. K. Koshiro, *op. cit.*, p. 260.

and felt the necessity of organizing the unskilled.

In the autumn of 1918 the National Organizing Committee began to organize the steel industry by the decision of the A. F. L., and the number of its members was greatly increased. And in July 1919 the Organizing Committee advanced claims for a rise in wages, the abolition of company unions, the acquisition of the right of collective bargaining and the improvement of a few other working conditions, and they went on a strike on 22nd September. It was estimated that the total number of those who took part in this strike exceeded 300,000 workers, and almost all mills had to be closed completely or partially. But the employers reopened mill operations by introducing some 30,000 strike breakers, who were mainly Negro workers from the South. This resulted in informing participants of the strike of the fact that it was possible for anybody else to perform their jobs and the number of those who went back to work increased more and more because of their anxiety that they might lose their jobs, and this Great Strike ended with a crushing defeat on the side of the Union<sup>33</sup>. Drawing a lesson from the experience of this defeat, the A. A. I. S. T. W. proposed the abolition of craft unionism in the iron and steel industry to the A. F. L. in 1924, but it was refused by the National Committee, and the organizing movement of the iron and steel industry was practically brought to an end. The total number of its members showed a decreasing tendency, counting as few as 4,800 workers in 1933 (lower than 2% in organized percentage)<sup>34</sup>.

The employers, who broke down the monopolistic power of the union by consolidating the labour market, further proceeded to *segment the labour market* into units consisting of individual enterprises. The reason was because such an attempt made it very hard for the workers to make voluntary movements between different companies which in turn meant a reinforcing of the monopsonistic power of the employers. The way of consolidating the labour market for the skilled and the unskilled provided the possibility of the employers splitting up the labour market into units consisting of separate enterprises. That is to say, new kinds of jobs, created as a result of dividing a certain trade into smaller units, were graded as if they had a certain skill grade which was used as a promotion list. And it scarcely happened that any worker from another company was given a high ranking job<sup>35</sup>. In addition, the dependency of the workers on a their company was reinforced by specific measures,

33) R. A. Lester, *Economics of Labor*, 1949, p. 48 ; P. Taft, *op. cit.*, p. 671 ; Commons and Associates, *op. cit.*, Vol. IV, pp. 465, 467.

34) P. Taft, *op. cit.*, p. 525 ; R. A. Lester, *op. cit.*, p. 846.

such as employee stock ownership plans, employee profit sharing schemes, old age pension systems and home building programs for employees, etc<sup>36)</sup>. In this way the employers made inter-company labour movement difficult. The employers breaking down the monopolistic power of the union by consolidating the labour market, and they kept reinforcing their own monopsonistic power by splitting up the labour market into the company wide market

Moreover, the employers took further steps to exercise their arbitrary or selfish control over wages and working hours under the almost annihilated state of the labour unions, but this resulted in the accumulated dissatisfaction of the workers, and such a state of affairs continue, with practically no improvement, from 1919 to the early 1930's<sup>37)</sup>. However, under the pressure of the increased dissatisfaction of the workers the top management of the U. S. Steel Corporation began to take the introduction of an E. R. P. into consideration a few years prior to the days of the Great Depression, in order to dissolve such dissatisfaction and avoid a powerful outside labour union. And as the waves in the labour movement kept growing rougher and rougher, being encouraged by the N. I. R. A., the employers introduced an E. R. P. for fear that the employees might be organized by outside unions<sup>38)</sup>. If the employees had been organized by an outside union, it would have meant the consolidation of the split labour market into one single unit, and so the employers endeavoured to avoid this by forming an employee representation plan. This company union served the purpose of mitigating the dissatisfaction of the workers to a certain extent. For these benefits the total number of company unions in the steel industry showed a striking increase from only 7 before the setting up of the N. I. R. A. to 93 as of the end of 1934, when 90 % of the steel workers were placed under its influence<sup>39)</sup>.

Now, speaking of these company unions, even if they could resist direct domination of the employers, it was natural that such company unions could not become strong organizations, because they had organized only the smaller part of the larger potential labour market when the labour market had been split by the employer. In fact, company unions were almost unable to deal with demands for general wage increases. Under such circumstances, all the company unions in the different plants of the U. S. Steel Corporation made a joint attempt to institute a Central Committee in the spring of 1935, but the manage-

35) K. Koshiro, *ibid.*, p. 257.

36) Commons and Associates, *op. cit.*, Vol. IV, pp. 138-139.

37) R. R. R. Brooks, *As Steel Goes*, 1940, p. 76.

38) *Ibid.*, p. 78.

ment of the plants interfered with this movement. However, similar attempts were made by other company unions, such as an E. R. P. in the American Sheet and Tin Plate Company. And in June 1936 the Steel Workers' Organizing Committee came to be established under the C. I. O. and a new movement of industrial unionism, organizing workers without distinction of their employers and including both skilled and unskilled workers, was actively launched. The Organizing Committee, keeping contact with each company union leader and supporting each of them, endeavoured to promote the independence of the company union from the company. As a result, the specific demands of company unions against employer grew greater and greater, and it happened on many occasions that such demands could no longer be met because of the refusal of the management. In a situation like this the leaders of the company union were split into two groups, one which kept on friendly terms with the Steel Workers' Organizing Committee and one which remained loyal to the company, and the trust of the workers was gradually shifted towards the S. W. O. C. So some of the company unions affiliated themselves with the S. W. O. C.<sup>39)</sup>

In this way the Steel Workers' Organizing Committee grew, and its total membership was counted to be more than 82,000 workers as of November 1936<sup>40)</sup>, and it was on 2nd March 1937 that in the Carnegie Illinois Steel Company of the U. S. Steel Corporation the S. W. O. C. won the right of collective bargaining. Furthermore in 1941, the S. W. O. C. acquired the right of delegation in four of the Little Steel concerns. First it acquired the right in the Republic Steel Corporation. Subsequently, it was made known through a survey made by the National Labor Relations Board that the S. W. O. C. had organized more than 50% of the employees respectively at the Republic, the Youngstown and the Great Lakes Company of the National Steel Corporation, and the S. W. O. C. became the exclusive organization for collective bargaining at all mills other than the Weirton Co. of the National Steel Corporation and the American Rolling Mills. But this Committee, securing the right of collective bargaining from U. S. Steel, was not the exclusive organization for collective bargaining. In such a situation the Committee, appealing to the National Labor Relations Board, went through a vote-getting adjudication to be made at all its subsidiaries and was appointed the exclusive organization for collective bargaining by getting 90% of the

39) *Ibid.*, p. 79.

40) *Ibid.*, pp. 82-86, 90 & 95.

41) W. Galenson, "The Unionization of American Steel Industry", *International Review of Social History*, Vol. I, 1959, p. 21.

votes in its favour<sup>42)</sup>. The total number of its members, showing an increase, counted as many as 447,000 workers in 1942<sup>43)</sup>. In this way the United Steel-Workers Union<sup>44)</sup> expanded its organization to cover the whole consolidated labour market, as a countermeasure to cope with the consolidation of the skilled and the unskilled workers in one labour market effected by the employers, and moreover it organized workers without discrimination by their employers as a countermeasure to prevent the splitting up of the labour market into units consisting of individual enterprises (a company-wide labour market). Such is the way the Industrial Union came into existence.

Nevertheless, the employers continued to make every effort to maintain the company-wide labour market, so they preferred the single-employer bargaining unit to the consolidated multi-employer bargaining unit<sup>45)</sup>. In 1942 the desire on the part of the unions to negotiate on the basis of industrial units was refused by the companies. The steel companies had a consistent dislike of industry wide bargaining and when the Investigation Committee of the Steel and Iron Workers' Case was to be instituted, scrupulous care was taken so that this would not be accepted as an organ for conducting industry wide bargaining<sup>46)</sup>. For this reason the strong efforts to initiate bargaining on an industrial basis were not successful in spite of a strong desire on the part of the unions to do so. Thereupon with the unions made efforts to conclude similar agreements with almost all the basic steel companies. In this way, efforts on the part of the unions were made so that the splitting up of the labour market by the employers might be checked, and so that its consolidation might be attained virtually by the pattern bargaining. After all these efforts, a movement to centralize the right of collective bargaining began to spread after 1955 and in 1956, the 12 major companies authorized a four-man committee to bargain for them on major issues. But on the contrary, company management had the opinion that such a procedure was not industry bargaining, and they contended that each company would be bargaining for itself at the same time in one room. But the effort to initiate industry negotiation came to be more and more extensively accepted, and in 1959 the Big 12 companies authorized the four-man committee for settlement to bargain all the problems<sup>47)</sup>.

42) U. S. Department of Labor, *Collective Bargaining in Basic Steel Industry*, 1961, pp. 232-243.

43) L. Troy, *Trade Union Membership, 1897-1962*, 1965, Table A-2.

44) "The Steel Workers Organizing Committee" has been changed to a new name the United Steelworkers of America in 1942.

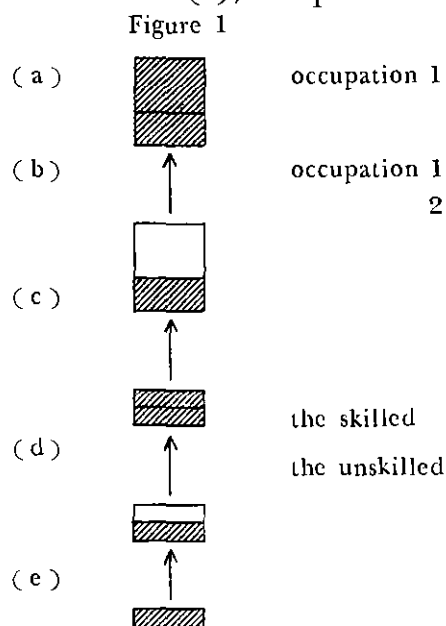
45) Isao Akaoka, *op. cit.*

46) U. S. Department of Labor, *op. cit.*, pp. 244, 246.



### III A Theory and Some Examination

Next, I intend to give a theoretical discussion of the development of labour unions based on the historical development of the labour unions in the American steel industry which was given in the foregoing section. For the sake of simplicity the following explanatory diagram is given. The tetragons in Figure 1 represent the boundary of the labour market and those parts which are covered with oblique lines show the coverage of unions. In (a), occupation 1 has no substitutability with other occupations



the thus forming an independent labour market. This means that under such circumstances it will suffice for the labour union to organize only one particular occupation, indicated as 1, so that the union may enjoy monopolistic power. For this reason a trade union or a craft union in this case with one particular occupation as its object to be organized, comes to be instituted. If the steel industry is taken as an example, the United Sons of Vulcan is this case. But when an organization of this kind comes into existence, the employer in variably makes efforts to infringe the independence of the labour market for the particular oc-

cupation 1, for the purpose of destroying the bargaining power of such a labour union. Then, the boundary of the labour market in such a situation may be expressed by occupations 1 plus 2, that is the whole of this tetragon as shown in (b). Now, what could be meant by "occupations 1" and "2" in this case no longer represents the boundary of the labour market respectively and they couldn't have any implication whatsoever other than the *mere name*. Therefore, the type of union which organizes only occupation 1 can no longer exercise monopolistic power. Whereupon this labour union makes efforts to expand the object to be organized, so that the union can organize the whole of occupations 1 and 2 shown in (c) in order to maintain its bargaining power. In this way, the type of a trades union or crafts union including some different

47) J. Stieber, "Company Cooperation in Big Steel Bargaining", *Monthly Labor Review*, Vol. 83, June 1960, pp. 586-588.

occupations as its membership comes to be formed. Referring to the previously mentioned illustration, this instance gives a good explanation of the way the Amalgamated Association of Iron, Steel and Tin Workers came into existence.

On the other hand, the efforts of the employers to consolidate the labour market gradually go as far as to include both the skilled workers and the unskilled workers, and as a result, this union again is obliged to turn to organizing no more than a small part of this labour market as shown in (d). Under such circumstances this labour union is generally called a union of exclusivism. The reason is because only in such a case is the union required to make a decision whether certain kinds of workers should be excluded or not, which becomes a serious and practical problem for the union in such a situation. Under circumstances where there is no substitutability between the skilled workers and the unskilled workers, there is no need for the skilled workers' union to exclude the unskilled workers. Putting it in other words, what is meant by the exclusivism of a union is that a certain labour union takes up only the smaller portion of a larger labour market as its object of organization. Therefore it follows that if a certain labour union wants to be a powerful organization it should overcome its exclusivism. Whereupon the labour union makes efforts to expand the coverage of its organization so as to include unskilled labour, yet the employers try to oppose such a movement through all kinds of activities. In short, we can't simply say that the exclusivism of the union is something of the inherent nature of a labour union, but it can rather be regarded as something created and maintained by the employers. The employers in the steel industry endeavoured to extend the continued existence of the exclusivism of the Amalgamated Association of Iron, Steel and Tin Workers by taking advantage of their refusal to negotiate with unskilled workers and by race discrimination. However, the unions had to learn that they couldn't become powerful organizations as long as exclusivism was maintained, from the fact that the unions were defeated in their strikes and that which the unions made couldn't be accomplished the claims. Whereupon the unions finally made the decision to overcome exclusivism. Such is the why the type of industrial union comes to be instituted as shown in (e).

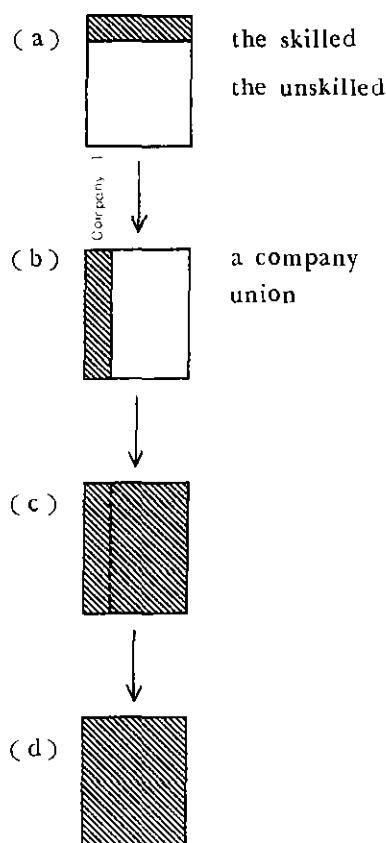
However, speaking of the steel and iron industry in the U. S. A., the workers were obliged to overcome company unions in order to form industrial unions. The employers made efforts to split up the labour market into company-wide labour markets so that their monopsonistic power could be reinforced. In such a situation the entire boundary of

the labour market, including all workers of an industry became dormant and latent, while the labour market of company wide became revealed. In spite of the fact that there existed the inter-company substitutability of labour, any voluntary inter-company mobility of workers was interrupted<sup>48)</sup>. It is under these circumstances that the possibility of instituting the type of a company-wide labour organizations is generated. And when outside unionism is active, the employers made every effort to maintain the company-wide labour market by introducing company unions.

Now, turning to (a) in Figure 2, the nature of a craft union is obliged to be that of exclusivism, on account of the employer's efforts to consolidate the labour market of the skilled workers and that of the unskilled workers and to prevent the union from organizing the whole market consolidated by employers. And taking advantage of such exclusivism, the employers proceed to drive the union away. This is what is called an "open-shop movement". Under these circumstances the employers made efforts to split up the labour market, and when the waves in the labour union movement become rougher, the employers proceed to introduce an employee representation plan. As shown in (b) the employers' design is to prevent the union from organizing the entire extent of the labour market, making the union a vertical and exclusive organization. In such a situation this organization is to be understood as the type of organization having exclusivism against other enterprise workers. In reality, the employers hold an opinion in favour of splitting it up further into an smaller units, in the hope that smaller organizations on an individual workshop basis will be formed. But, on the contrary, the workers, realizing that smaller organization of individual workshops basis can't be sufficiently powerful to bargaining effectively, begin to contrive inter-workshop solidarity and then take further steps to form an organization in which the workers of other closely related enterprises may be included. Speaking of the steel industry in the U. S. A., the employers succeeded in splitting up the labour market by making it a rule not to adopt any workers for any high-ranking jobs from outside their own companies and contrived to maintain such a split state by forming company-unions. Nevertheless, because of the nature of the company union there was inevitably a limitation of the extent to which the workers could accomplish their demands, and so the trust of the workers tended to be placed in the Steel Workers' Organiz-

48) See next : A. M. Ross, "Do We Have a New Feudalism?", *American Economic Review*, Vol. XLIII, December 1958.

Figure 2



ing Committee, resulting in the formation of industrial unions as shown in (c). But after the formation of such industrial unions, the splitting up of the labour market by the employers was again attempted by the means of collective bargaining on a company basis. The indication of a broken line in (c) is made to illustrate that company-wide collective bargaining was carried out. On the other hand, the labour union made efforts to prevent the labour market from being split up by the employers, by insisting on pattern bargaining, and gradually made a closer and closer approach towards centralized negotiations on an industrial basis as shown in (d).

But, again, this type of industrial union is obliged to confront a new problem. Whenever there exists substitutability between the skilled workers and the unskilled workers, the boundary of the labour market is wide more than one particular industry, potentially speaking. Moreover, in some industries

the products are in competition, and so it follows that the workers in the some industries are in conflict in the form of their products with each other. Thus it follows that the field to which one industrial union organizes is limited to only a small part of the potential labour market. Putting it in other words, it follows that the industrial union can't be completely free from exclusivism, and that it still has exclusivism against other industry workers. Therefore, if such a labour union wants to become a powerful organization, it is required to form the type of industries union surpassing its own industry. To say the least of it, cooperation between unions in different industries is essential. This necessity was to some extent met by the pattern bargaining carried on by some unions under the former C. I. O.<sup>49)</sup>

Information given so far in the above may be useful for understanding some other examples of the development of labour unions.

#### (1) Formation of National Unions in Printing Industry in the

49) See next: I. Akaoka, *op. cit.*; J. T. Dunlop, "Structural Changes in American Labor Movement and Industrial Relations System", in W. Galenson and S. M. Lipset (eds.), *Labor and Trade Unionism*, 1960.

U. S. A. <sup>50)</sup>

The printers' employers in New York City, upon being defeated by the local union in 1809, had to accept the demands by the union. But the employers only accepted this defeat in order to gain sufficient time to counterattack the union. The employers immediately set out to consolidate the labour market and expanded its boundary so widely as to include the vast areas outside the city limits. That is, the employers expanded the areas from which they could recruit the printers needed, as widely as to cover the entire states of Pennsylvania, Connecticut and Massachusetts. For this reason the printers' union was obliged to expand the organization and in 1836 the National Typographical Society was formed. But it was no more than one organization in the East and didn't last long. In 1852 a type of national union with the name of the National Typographical Union came to be formed.

(2) Organizing of the Unskilled Shoe-makers by the Shoe-makers' Union in the U. S. A. <sup>51)</sup>

In the shoe-making industry there was a national union which had been formed due to almost similar circumstances to those in the printing industry. But the employers contrived to integrate the labour market of the skilled workers and that of the unskilled workers by introducing machines in the 1860's. For this reason this union was defeated in a strike after 1872. Upon realizing the necessity of letting the unskilled workers join the union, as a result of the bitter experience being defeated in a strike, the skilled workers formed the Boot and Shoe Workers' Union in 1895, and they made efforts to organize an industrial union for all workers engaged in making boots or shoes, including the unskilled, male and female.

(3) Splitting the Labour Market into the Company-wide Labour Market in British Railways <sup>52)</sup>

In 1897, the Amalgamated Society of Railway Servants started to put their 'All Grades' Movement' into practice for the first time, but the union had to discontinue such a drive because the companies didn't recognize the union and refused to negotiate. In 1907, the 'All Grades' Movement' was proposed to the companies for the second time, but it was refused again by the companies. In such a situation the union resorted to voting for a strike and approval was obtained by an overwhelm-

50) H. A. Millis and R. E. Montgomery, *Organized Labor*, 1945, pp. 21, 45; Commons and Associates, *op. cit.*, Vol. I, pp. 133-134, 443-444.

51) *Ibid.*, Vol. II, pp. 177, 534; J. R. Commons, *op. cit.*, p. 75.

52) G. D. H. Cole and R. P. Arnot, *Trade Unionism on the Railways*, 1917, pp. 18-25; G. D. H. Cole, *A Short History of the British Working Class Movement, 1789-1947*, 1949, pp. 318-319, 334-336.

ing majority in favour of a strike. But the companies and the union both agreed to settle the matter through the Scheme for Conciliation and Arbitration proposed by President of the Board of Trade, Lloyd George and a national strike was avoided. However, the companies brought about the following decisions and results: (a) that the companies didn't accept the attendance of those other than the company's employees at Conciliation Board meetings, (b) that the companies classified the workers into many groups and (c) that the workers for each company were split into separate company groups. The labour union, in objecting, obtained the new Conciliation Scheme through the pressure of a strike by as many as 145,000 railway workers in 1911. As a result, it became possible that those who were appointed by the union were allowed to attend the Conciliation Board Meetings. The companies, in spite of their expectations, were obliged as a matter of fact to keep negotiating with the union.

(4) Exclusivism of the Trade Union in the British Engineering Industry<sup>53)</sup>

In the field of the British engineering industry a trade union for engineers with the name of A. S. E. was formed in 1851. In opposition to this union, the employers made efforts to facilitate the consolidation of the labour market for the skilled workers and the unskilled workers during the period from the end of 19th century to the early 20th century. For this reason the then existing union could organize only a small portion of the labour market, and the employers began to use free labour in those days in the early 1880's and assisted the formation of their organization. The National Free Labour Association was formed in 1893 and the Free Labour Protection Association in 1897. And it became possible for the employers to maintain their operations by using non-unionist workers, even during the period when the union went on strike. Thus the exclusivism of the A. S. E. was made active. But in order to possess stronger bargaining power, the union was obliged to overcome its exclusivism. At the same time the employers made efforts to keep the union from overcoming exclusivism, and tried to prevent the union from expanding its organization so as to cover the entire field of the new labour market. In short, the employers made use of free labour and gave assistance to them so that they could form their own organization. As a result, the A. S. E. continue to maintain its ex-

53) Shigeyoshi Tokunaga, *Studies on the History of British Wage Earners*, 1967, pp. 77-78, 293, 312, 315, 321, 334-345; and Makoto Kumazawa, "Trade Union of British Engineering Industry", (3) & (4), *Kohnan Keizai Ronshu*, Vol. 9, No. 1 & 2, May & June 1968, pp. 158, 225-227.

clusivism. But its strength was greatly weakened, leading to the result of the bitter defeat in the Great Strike of 1897. Whereupon their efforts to expand the coverage of the organization were expedited, and as a result semi-skilled workers were allowed to join the union in 1901, though under certain conditions, and even the unskilled workers were allowed to join in 1912. But there was not much effect from this attempt. Whereupon in 1920 the union opened its organization wide to accept the unskilled as well as the semi-skilled workers. As a result, its total membership showed an increase and the union grew to be a powerful organization again.

#### IV Conclusion

The employers make efforts in coping with labour unions so that the coverage of the labour unions always remains no greater than a small portion of the labour market. For this reason the employers in the first place contrive to put pressure directly on the labour unions, trying to exclude them, and in the second place contrive to make the boundary of the labour market larger than the existing coverage of the labour unions, which, in other words, is a *consolidation of the labour market by the employers*. In the third place, the employers prevent labour unions from extending their organization to include the whole of the consolidated labour market, which in other words is the employer's plan to maintain the split state of the labour market, or the employers' interference with the consolidation of the labour market by the labour unions. In the fourth place, the employers *split up the labour market*. As a result the entire extent of the labour market turns out to become dormant, and only a small portion of it remains functioning as if it were the actual boundary of the labour market. For that reason the efforts of the labour unions to organize become concerned only with that small portion of such a dormant labour market. The labour unions are ultimately led to become the type of organization of exclusivism in character. Putting it in other words, the employers drive the labour unions to become organizations of exclusivism. Because the labour unions have no particular workers to be excluded when there is not the substitutability of one groupe of workers with another group, it is only when the organization of a labour union is limited to only a smaller portion of the larger field of the labour market that exclusivism of the labour union is generated. In such a situation it is impossible for the labour union to have a monopolistic power. This is the reason why the employers drive the labour unions to become organizations of

exclusivism, and prevent the unions from overcoming their exclusivism.

But because such labour unions that include only a small part of the labour market in their organization can not have much power of negotiation, such labour unions make efforts to include the whole of the labour market within their organization. This is a *consolidation of the labour market by the labour unions*. Or, it is an *overcoming of exclusivism*. As long as the labour unions remain of an exclusive nature, they can't be strong organizations. But, generally speaking, labour unions are widely understood to be organizations of exclusivism<sup>54)</sup>. Yet I don't think that such a common opinion is right. I rather think that the exclusivism of labour unions is created by the employers. I think that it is more feasible to think that the reason why the workers become conscious of exclusivism is because they come to distinguish themselves from other workers, owing to the fact that the labour market which was split up by the employers turn out to be active and the whole boundary of the labour market remains in a dormant state. Therefore, the workers' consciousness of exclusivism vanishes when they come to know the boundary of the potential labour market and come to realize that anybody else can just as well perform their own jobs

Therefore, it becomes possible to understand the development of labour unions through the opposing relationships between the employer and the workers in formation and reformation of the labour market. When craft unions come into existence and when the employers find it impossible to drive the craft unions away, then the employers proceed to force the craft unions to become organizations of exclusivism by consolidating the labour market for the skilled workers and the unskilled workers, and they make efforts to make the unions weaker and weaker in their bargain power. To cope with such employers' policies it becomes necessary for the labour unions to organize both the skilled and unskilled workers. This is the labour union of all kinds of workers. But the employers endeavour to split up the labour market into company-wide market and to maintain that company-wide labour market. It is for this reason that a company-union comes into existence. But, just because such a company-wide organization of workers is no more than an organization of exclusivism, it can't be a strong organization. When this comes to be realized by the workers, it leads the workers to overcome their exclusivism and to unite them into an industrial union. But overcoming such exclusivism can't be done to a satisfactory extent

54) For example, see K. Kurita, "Eitaro Kishimoto, *Function & Organization of Labour Unions*" (Book Review), *Nippon Rodo-Kyokai Zasshi*, Vol. 98, May 1967, p. 58; and H. A. Turner "British Trade Union Structure: A New Approach?", *British Journal of Industrial Relations*, Vol. II, No. 2, July 1964, p. 175.



even by an industrial union. It is by the labour union of all kinds of workers these days that such exclusivism has been overcome completely. Putting it another way, there is an industrial union in the circuitous way of development of a labour union from a craft union into a labour union to include all kinds of workers and the company union is in the circuitous route of development from a craft union into an industrial union.

Now, before closing my conclusion, I shall make some comments on a variety of conventional theories of the labour union. It may be recalled that various theories except those held by Turner and Ross, were primarily maintained on the assumption of a pre-determined labour market. It is just because of this assumption that these theories were confronted with difficulties. Because of the fact that the labour market in reality is in a state that is subject to change, depending on a certain opposing relationships between capital and labour, it is natural that such theories held on the assumption of a pre-determined labour market should be confronted with difficulties. Furthermore, when they are confronted with difficulties, a more careful re-examination of their assumption has not been made by Dunlop, Ross, Hoxie and Kurita. Leaving this assumption as it is, Hoxie has tried to seek a further explanation in some psychological factors, Dunlop to seek in a pluralistic view and Kurita in the workers' consciousness of exclusivism. However, it must be concluded that all these explanations of the development of labour unions based on the above-mentioned factors without making any sufficiently well-grounded explanation of exclusivism, psychological factors or social factors, can't be anything more than mere phraseology replaced by different words. Nevertheless, the problem is to be settled, if it were taken into account that the labour market is subject to change, depending on the opposing relationships between the employers and the employees as explained in the above. And should this be done the exclusivism could also be understood through a labour market theory. What is essential to understand the development of labour unions would be, not to think that the labour market is an exogenous variable for a theory of labour unions, but to try to understand theoretically the formation and development of the labour market.